

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 PA-04 PRS-01 USIA-15

DRC-01 /118 W

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R 031831Z JUL 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 9235

UNCLAS SANTIAGO 3878

E.O.11652:N/A

TAGS: ECON ELAB CI

SUBJ: WAGE READJUSTMENT

REF: A) SANTIAGO 2372; B) SANTIAGO 3498;  
C) SANTIAGO 3319

1. BEGIN SUMMARY: THE WAGE READJUSTMENT ANNOUNCED IN MID-JUNE AS PART OF A JOINT ECONOMIC-FINANCE MINISTRY STATEMENT OF ECONOMIC OBJECTIVES TOOK EFFECT JULY 1. MINIMUM WAGES AND PENSIONS WERE INCREASED IN THE 35-40 PERCENT RANGE: WAGES AND SALARIES AT HIGHER LEVELS WERE INCREASED BY ABOUT 20 PERCENT. INFLATION FROM DECEMBER 30 TO JUNE 30 IS EXPECTED TO AMOUNT TO ABOUT 150 PERCENT, ASSUMING 25 PERCENT JUNE INFLATION. DURING THE SIX-MONTH PERIOD PUBLIC SECTOR EMPLOYEES AT THE LOWER END OF THE WAGE SCALE APPEAR TO HAVE MAINTAINED REAL INCOME, WHILE PRIVATE SECTOR EMPLOYEES EARNING THE MINIMUM APPARENTLY HAVE EXPERIENCED A SLIGHT DECLINE. PUBLIC AND PRIVATE SECTOR EMPLOYEES AT HIGHER INCOME LEVELS APPEAR TO HAVE SUFFERED GREATER LOSSES IN REAL INCOME DURING THE PERIOD, THOUGH PRIVATE EMPLOYERS ARE GIVING SOME SKILLED EMPLOYEES ABOVE AVERAGE INCREASES . END SUMMARY.

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2. IN THE JOINT ECONOMIC-FINANCE MINISTRY ANNOUNCEMENT

ON CHILE'S ECONOMIC AND SOCIAL OBJECTIVES (REF B), IT WAS STATED THAT THERE WOULD BE A TEMPORARY BONUS OF E0.10,000 PER WORKER FOR THE MONTH OF JUNE, TO BE SUBSUMED IN A GENERAL WAGE AND SALARY READJUSTMENT OF 20 PERCENT TO TAKE EFFECT JULY 1. DETAILS OF THE READJUSTMENT WERE PUBLISHED IN THE JUNE 29 DIARIO OFICIAL.

3. THE FOLLOWING ADJUSTMENT AFFECT THE PRIVATE SECTOR:

A) MINIMUM WAGE INCREASED FROM E0.29,000 TO E0.39,000 (34.5 PERCENT).

B) THOSE EARNING MORE THAN THE MINIMUM WAGE WILL RECEIVE AN INCREASE OF 20 PERCENT, BUT IN NO CASE WILL THE INCREASE BE LESS THAN E0.10,000.

C) FAMILY ALLOWANCE (ASIGNACION FAMILIAR) INCREASED FROM E0.4,000 TO E0.5,000 PER DEPENDENT (25 PERCENT).

D) TRANSPORTATION ALLOWANCE REMAINS AT E0.5,000.

E) FARM WORKERS RECEIVE A 20 PERCENT INCREASE, WITH A MINIMUM INCREASE OF E0.10,000. A MAXIMUM OF 50 PERCENT OF PAY MAY BE IN KIND, USUALLY FOODSTUFFS.

F) WAGES OF DOMESTIC SERVANTS CONTINUE TO BE DETERMINED BY CONTRACT BETWEEN EMPLOYER AND EMPLOYEES, BUT THE AMOUNT SUBJECT TO SOCIAL SECURITY TAXATION RAISED FROM E0.15,000 TO E0.18,000.

4. THE FOLLOWING ADJUSTMENTS AFFECT THE PUBLIC SECTOR:

A) MINIMUM WAGE INCREASED FRM E0.25,000 TO E0.35,000 (40 PERCENT INCREASE).

B) THOSE EARNING MORE THAN THE MINIMUM WAGE WILL RECEIVE A 20 PERCENT INCREASE, BUT NO INCREASE WILL BE LESS THAN E0.10,000.

C) ALLOWANCE FOR DEPENDENTS IS INCREASED FROM E0.4,000 TO E0.5,000 PER DEPENDENT (25 PERCENT).

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D) LUNCH ALLOWANCE (ASIGNACION DE COLACION) IS INCREASED FROM E0.5,200 TO E0.6,240(20 PERCENT).

E) ALLOWANCE FOR TRANSPORTATION IS UNCHANGED AT E0.5,000

5. THE FOLLOWING PROVISIONS AFFECT PENSIONERS:

A) MINIMUM PENSIONS INCREASED BY 33 PERCENT.

B) OTHER PENSIONS ARE IN GENERAL INCREASED BY 20 PERCENT, BUT LAWS AND PROVISIONS COVERING DIFFERENT CLASSES OF PENSIONERS ARE TOO VARIED TO PERMIT EASY CATEGORIZATION.

6. COMMENT: HIGHER PERCENTAGE INCREASES IN COMPENSATION AT THE LOWER INCOME LEVELS CONTINUE THE TENDENCY TO USE THE READJUSTMENT PROCESS TO EFFECT INCOME REDISTRIBUTION (REF A). MAKING CERTAIN ASSUMPTIONS REGARDING AVERAGE FAMILY SIZE AND SENIORITY, PUBLIC EMPLOYEES RECEIVING BOTTOM OF SALARY SCALE (ESCALA UNICA) WILL RECEIVE INCREASED MONEY INCOME IN RANGE OF 30 PERCENT, INCLUDING FRINGES. SALARIES OF MIDDLE AND HIGH GRADE PUBLIC EMPLOYEES RISE AN ESTIMATED AVERAGE OF 20 PERCENT OR LESS. THE SAME RELATIVE INCREASES ARE EVIDENT IN PRIVATE SECTOR INCOME LEVELS. WITH REGARD TO LATTER, HOWEVER, THERE IS EVIDENCE THAT SOME COMPANIES ARE GIVING ABOVE AVERAGE INCREASES TO RETAIN SKILLED EMPLOYEES. FURTHERMORE, SOME SELF-EMPLOYED AND PROFESSIONALS APPEAR TO BE KEEPING AHEAD OF COST OF LIVING.

7. BY EMBASSY CALCULATIONS AND ASSUMING JUNE INFLATION WAS 25 PERCENT, INFLATION THROUGH FIRST HALF 1974 TOTALLED 154 PERCENT. DURING SAME PERIOD, AND INCLUDING LATEST WAGE READJUSTMENT, LOWEST LEVEL PUBLIC SECTOR EMPLOYEES MAY HAVE EXPERIENCED LITTLE CHANGE IN REAL INCOMES AS MEASURED AGAINST COST OF LIVING INDEX. REAL INCOME OF HIGHER LEVEL PUBLIC EMPLOYEES APPARENTLY DID DECLINE WITH GREATEST DECLINE EXPERIENCED AT HIGHEST LEVELS. SAME PATTERN EVIDENT IN SALARIED PRIVATE SECTOR, ALTHOUGH LOWEST LEVEL EMPLOYEES IN THIS SECTOR APPEAR TO HAVE LOST SOME REAL INCOME IN FIRST HALF OF YEAR.  
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## Message Attributes

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